



June 6, 2023

Influx of sellers speeds up Canada’s housing market recovery

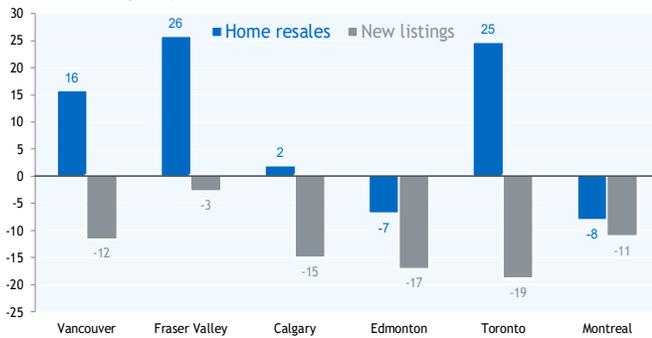
Sellers are beginning to warm up to recovering housing markets. Early reports from local real estate boards unanimously show a material rise new listings in May. This is good news for buyers who have been frustrated by historically low inventories. But in most cases, the rise in supply made only a small dent in tight demand-supply conditions. It will take a further large influx of sellers in the coming months to bring markets into balance. For now prices are rising. The pressure has in fact built up fast in some markets (like Toronto) where the rate of increase between April and May resembled the magnitudes of gains that were recorded earlier during the pandemic boom.

We think higher prices will play their role as a stabilizer for the market: cooling demand and pulling in more supply. Our view is that mechanism as well as affordability issues will restrain further price appreciation. However, the current market strength clearly poses upside risks.

Major market highlights: May 2023

Market activity

Annual % change, May 2023



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

Demand-supply conditions

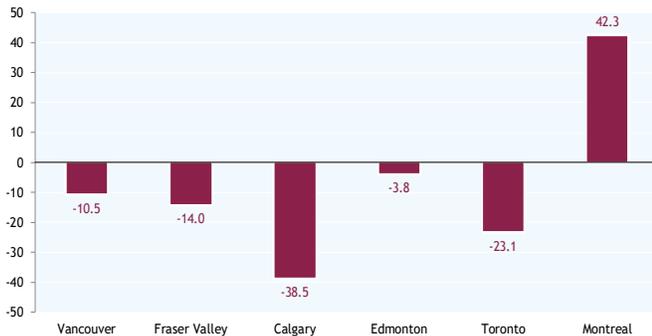
Estimated sales-to-new listings ratio, seasonally-adjusted, May 2023



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

Inventories

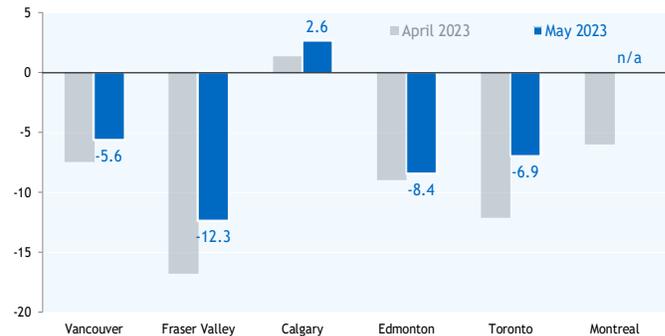
Active listings, annual % change, May 2023



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

Home prices

MLS Home Price Index, annual % change



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

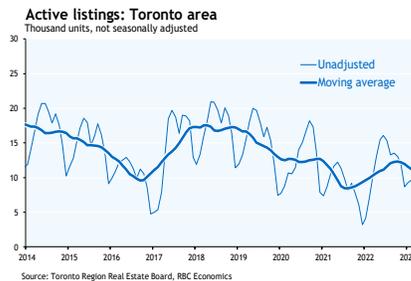
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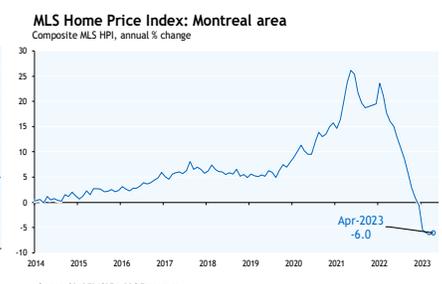
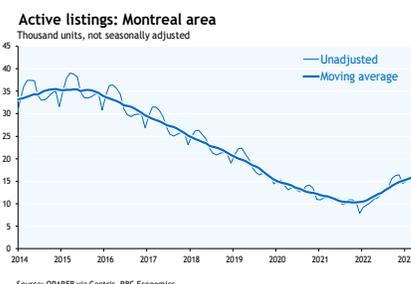
Toronto area—Boomtime price advances

The 5.2% m/m jump in activity last month wasn't as specular as the 25% bounce in April but it continued to underscore buyers' growing desire to get back in the game. A sharp increase in sellers (new listings rose 17% m/m on a seasonally-adjusted basis by our own calculation), however, was the standout development. No doubt it contributed to unlock some of the pent-up demand that has built up over the past year. While welcome, the rise fell well short of meeting demand, leaving the market tight and upward price pressure intense. The GTA's MLS HPI shot up for a second-straight month by a strong 3.2% m/m—a pace that rivals what was seen during the boom time earlier in the pandemic. Even more sellers will be needed to boost inventories and rebalance the market. Otherwise this price trajectory will persist in the coming months.



Montreal area—Getting hotter

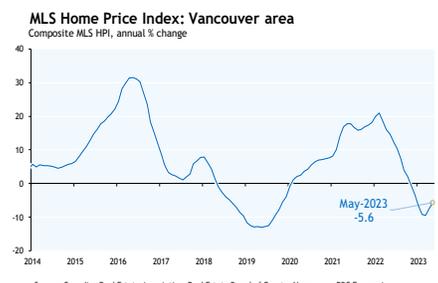
The market turned a corner in May. We estimate home resales surged 22% m/m (seasonally adjusted), representing the biggest jump in more than two years and an end to a sharp year-long slide. More homes were put up for sale but not quite enough to satisfy resurgent demand. This has turned up the heat by a few degrees and got prices to rise m/m for a fourth consecutive time. With many buyers chasing the more affordable options, it was condo prices that increased the most in May (the median prices climbed 3.3% m/m), though single-detached homes also rose solidly (up 1.9%). We expect those trends to continue in the near term.





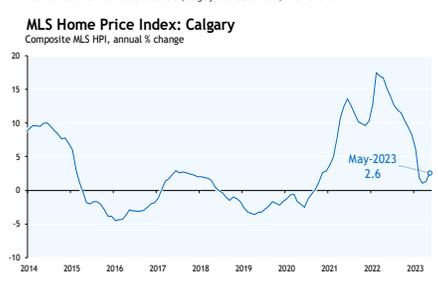
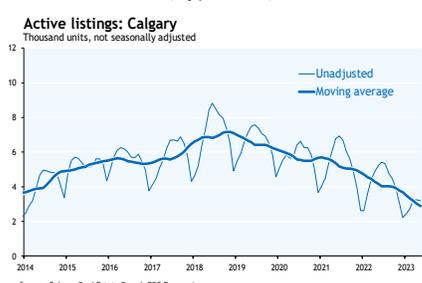
Vancouver area—More sellers at last

More sellers stepped into the market in May, taking advantage of increasingly favourable conditions over the past few months. We estimate new listings jumped 15% m/m (seasonally adjusted)—the largest increase since January. These new buying opportunities generated further increases in resale transactions, extending the current upswing to four months. Demand-supply conditions remain tight despite the increase in new listings, though. And prices continued on their upward trajectory with Vancouver's MLS HPI up for the fourth-straight month by 1.3% m/m. Our view is that extremely poor affordability will significantly limit the speed at which they will rise in the period ahead.



Calgary—New listings jump brings modest relief

It was largely a supply-side story too in Calgary last month. We estimate new listings soared 27% m/m (seasonally adjusted), which helped home resales rise more than 6%. But the new listings increase came from decades-low levels (excluding the pandemic lockdown period) following sharp declines earlier this year. In the end it provided only modest relief to still extremely-tight demand-supply conditions. Property values continued to appreciate at a sustained pace with Calgary's MLS HPI rising 1.0% m/m. This trend will likely be sustained in the near term.



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